

(Draft - Awaiting Formal Approval)  
**MINUTES OF THE  
EXECUTIVE APPROPRIATIONS COMMITTEE**  
Monday, March 5, 2012 - 4:10 p.m. - Room 210 Senate Building

**Members Present:**

Sen. Lyle W. Hillyard, Co-Chair  
Rep. Melvin R. Brown, Co-Chair  
Sen. Kevin T. Van Tassell, Vice Chair  
Rep. John Dougall, Vice Chair  
Sen. Scott K. Jenkins  
Sen. Patricia W. Jones  
Sen. Peter C. Knudson  
Sen. Ben McAdams  
Sen. Karen W. Morgan  
Sen. Wayne L. Niederhauser  
Sen. Ross I. Romero  
President Michael G. Waddoups  
Rep. Brad L. Dee

Rep. Gregory H. Hughes  
Rep. Brian King  
Rep. David Litvack  
Speaker Rebecca D. Lockhart  
Rep. Ronda Rudd Menlove  
Rep. Jennifer M. Seelig  
Rep. Christine Watkins

**Staff Present:**

Mr. Jonathan Ball, Legislative Fiscal Analyst  
Mr. Steven Allred, Deputy Director  
Ms. Greta Rodebush, Legislative Secretary  
Ms. Linda Black, Committee Secretary

**Note:** A copy of related materials and an audio recording of the meeting can be found at [www.le.utah.gov](http://www.le.utah.gov).

**1. Call to Order/Approval of Minutes**

Co-Chair Hillyard called the meeting to order at 6:25 p.m.

**MOTION:** Rep. Brown moved to approve the minutes of the February 21 and March 2, 2012 meetings. The motion passed unanimously with Speaker Lockhart absent for the vote.

**2. Adoption of One-time Revenue Sources**

**MOTION:** Rep. Brown moved to approve for use in the budget the funds listed on the blue sheet titled "Additional Revenue Sources, Executive Appropriations Committee" and dated today, March 5, 2012 with the following changes:

<u>Revenue Source</u>	<u>One-time</u> (in millions)
Mortgage Settlement Proceeds	<del>\$22.9</del> \$21.9
Fleet ISF Retained Earnings	\$2.0
CHIPRA Bonus Payments	\$17.1
MSP Nonlapsing Balances	<u>\$25.0</u>
<b>Total</b>	<u><del>\$67.0</del></u> \$66.0

The motion passed unanimously with Speaker Lockhart absent for the vote.

### **3. H.B. 8 - Revenue Bond and Capital Facilities Authorizations**

Mr. Rich Amon, Fiscal Analyst, LFA, presented the document, "Proposed Provisions for H.B. 8, Revenue Bond and Capital Facilities Amendments."

Mr. Amon explained that H.B. 8 is the authorization bill for non-state funded buildings. The document contains the current proposals for projects to be included in the bill, which have been reviewed by the Infrastructure and General Government (IGG) Appropriations Subcommittee. Mr. Amon explained the two main sections of the bill, "Amendments to Existing Statute" and "New Building Authorizations."

Mr. Amon indicated that the universities and institutions would be available to answer questions about specific projects.

#### ***University of Utah Student Life Building***

Sen. Jenkins asked about the removal of the three statutory requirements relating University of Utah Student Life Building.

Sen. Adams stated that the restrictions were placed on the University at a time when there was a question about student life buildings in general. Since that time, multiple student life buildings have been built throughout the state in other universities without any restrictions. Sen. Adams commented that according to the Division of Facilities Construction Management (DFCM) those restrictions are perhaps outdated. Sen. Adams suggested the EAC may need to apply the restrictions equally among all of the institutions.

Sen. Jenkins referred to a legislative performance audit of mandatory student fees at the University of Utah which raises some question on whether or not the fees would be managed correctly.

Ms. Barbara Snyder, Vice President of Student Affairs, University of Utah, stated that the University is committed to being a good steward of student fee money. She explained that the University was asking for the removal of the requirement to raise \$15 million in donations prior to bonding because the University cannot move forward with bonding without the full \$15 million converted into cash. Ms. Snyder stated that the University will continue to raise money toward this end but will not raise the student recreation fees to more than \$60 per semester.

Sen. Jenkins asked for some reassurance that the University has student fees under control.

Ms. Snyder stated that the University took the recommendations of the performance audit very seriously and put a fee committee in place similar to those that have been so widely praised at other campuses. She stated that the University continues to dialogue with the students about fees and is monitoring those funds very carefully.

Rep. Hughes expressed his concern about the precedent that may be set in amending statutes. He asked about the language to remove the limitation on raising student recreation fees more than \$60.

Ms. Snyder stated that the revision was not necessary and that the University did not intend to raise student recreation fees more than \$60.

Sen. Romero stated that as a member of the Legislative Audit Subcommittee, it was his recollection that the University appreciated the auditor's review of the student fees and would take appropriate action. He said that he felt comfortable with the University's testimony.

Rep. Dougall asked why the University is building new buildings and not focusing on the existing infrastructure that is in such disarray.

Mr. Jason Perry, Vice President of Government Affairs, University of Utah, stated that the Legislature is helping to fix the infrastructure. He attributed the condition of the infrastructure, in particular, the electrical system, to a policy decision to only fund utility rates at a schedule 9 level rather than a schedule 6 level. Consequently, there has not been any money available to cover depreciation of infrastructure.

Mr. Perry pointed out that the University recently presented some proposals to the Legislature that will ensure maintenance of the infrastructure.

Rep. Dougall commented that this feels like a bail out.

Mr. Perry explained that almost every member of the IGG Appropriations Subcommittee was able to observe first hand the condition of the infrastructure at the University. The subcommittee understood that the infrastructure needed to be taken care of and that the Legislature had not given enough money to the University over the past fifty years.

Rep. Hughes asked for a clarification on which fees the University would not raise. Vice President Snyder stated they are not going to raise any of the fees to fund the Student Life Building.

### ***S.J. Quinney College of Law Building***

Rep. Hughes asked about the funding source for the Board of Regents revenue bonds to build the College Law Building.

David W. Pershing, President, University of Utah, clarified that the University is asking for a \$60.5 million revenue bond which will be secured with \$25 million in donations, building fees paid by law students who benefit from the building, and a small amount of institutional funds.

Rep. Dougall asked President Pershing if a building that was funded by the state, by student fees, or by private donations, belonged to the state or to the University. President Pershing stated that every building on campus is a state building.

Sen. Niederhauser commented that there needs to be a long term solution for infrastructure that also includes hot water heating systems.

Mr. Gregg Buxton, Director, DFCM, explained that the division attempts to include upgrades to existing systems when new buildings are built. He stated that the University's infrastructure is old and has reached its life expectancy. Capital improvements have only been funded at 25 percent of the need year after year.

Sen. Niederhauser asked about including infrastructure into the budgets of new buildings. Mr. Buxton pointed out that Weber State University had included money for infrastructure in the new Elizabeth Hall Building. Mr. Buxton stated that is only a matter of time before the infrastructure at other institutions will require attention.

Mr. Buxton presented some background information regarding the statutory requirements on the Student Life Building.

Sen. Niederhauser asked for some reassurances that institutions will not come back for O & M or look for O & M elsewhere.

Mr. Buxton commented that the authorization process is getting better each year as evidenced by recent project requests to the Building Board.

#### ***HPER Parking Terrace and Health Sciences Center Parking Terrace***

Sen. Hillyard asked about the costs for the HPER Parking Terrace and Health Sciences Center Parking Terrace.

Mr. Michael Perez, Associate Vice President of Facilities, University of Utah, stated that the HPER Parking Terrace and the Health Sciences Center Parking Terrace are budgeted for \$20,000 to \$21,000 per stall. He noted that there are four potential locations for the two parking terraces, which will have about 900-1,000 stalls per terrace.

#### ***Further Committee Discussion***

Co-Chair Hillyard asked how much of the \$15 million had been raised for the Student Life Building. Ms. Snyder stated that over the last four and one half years, the University had raised more than \$6 million in private donations. They hoped to secure a gift that would take them closer to the \$15 million.

Co-Chair Hillyard asked why the University wanted to remove the restriction of only using student funds for bond payments. President Pershing stated that faculty and staff would like to use the Student Life Building as well. Vice President Snyder noted that the total cost of the building, \$42.5 million, would be paid for through student fees - \$27 million and donations - \$15 million.

Co-Chair Hillyard inquired about increasing the maximum bonding authorization from \$20 to \$30 million for the U of U Dee Glen Smith Athletic Center and how the bond payment would be paid back. President Pershing stated that the bond would be paid back with television revenues and other donations.

Co-Chair Hillyard asked about the revenue bond authorization for the S.J. Quinney College of Law Building. President Pershing indicated that the University currently has \$25.5 million in firmly committed donations including about \$7 to \$8 million in cash. The balance of the \$60.5 million revenue bond will be paid for through students fees. He indicated that O & M would have to come out of student fees.

Rep. Menlove asked if any of the dollars requested for infrastructure repair will be used to maintain existing parking terraces. President Pershing stated that the request for infrastructure funding will be used for electrical and hot water pipe upgrades on campus buildings. Rep. Menlove asked how the University

plans to replace and maintain the new parking terraces. President Pershing indicated that those costs are built into the fee structure and that the University will not be coming back for O & M.

President Waddoups inquired about the locations of the new parking terraces. President Pershing stated that the parking terraces would be built on an existing parking lot or raw ground. He stated that the ideal location would be to build the terraces on a slope.

### ***Dental School Building***

President Waddoups asked about the need for the Dental School Building.

Mr. Lynn Powell, Interim Dean for Dental Education, University of Utah, stated that the Dental School Building will allow the University to convert the existing one-year program to an in-state four-year program, which will save the students and the state a considerable amount of money in tuition. The state subsidizes Utah students paying out-of-state tuition elsewhere. Mr. Powell indicated that the number of students participating in dental education will remain the same.

President Waddoups suggested that rather than removing the requirement on using only student funds for bond payments for the Student Life Building, adding the words "or with faculty and staff contributions or funds." President Pershing agreed with President Waddoups's suggestion.

Rep. Dougall asked how much revenue is generated on the parking stalls. Mr. Perez stated that he would be happy to provide him with that information. Rep. Dougall asked Mr. Perry to find out the cost of a student parking pass. Mr. Perez stated that faculty and staff must also purchase parking passes, which amounts to several hundred dollars per year.

Co-Chair Hillyard asked how many additional students the College Law School Building will accommodate. President Pershing projected about 400 students by 2013 and about 450 to 500 students over the period of the building construction.

### ***SUU Museum of Arts***

Co-Chair Hillyard inquired about the request to remove the prohibition in statute (2010) from the SUU Museum of Arts asking for state funding for O & M and capital improvements.

Mr. Dorian Page, Vice President of Financial Services, Southern Utah University, explained that the SUU Museum of Arts building will be used for instructing students who will manage and operate the museum. The museum is not a revenue producing building. The total cost of the building is \$12.5 million and SUU has commitments for \$9 million including \$1.5 million cash in the bank. Mr. Page noted that Iron County and Cedar City have also committed funds to this project. There is also a \$2 million revenue bond that will be paid for with student fees. Mr. Page stated that SUU had not expected that the request for O & M would require a statute change.

Rep. Hughes stated that SUU is not the only institution of higher learning that began a process of building buildings without the need for, or the request for O & M. In researching the authorization request to build the SUU Museum of Arts, Rep. Hughes stated that on February 3, 2010, President Michael Benson indicated that he could cover the O & M from other areas of the budget and from an additional student fee.

Rep. Hughes noted that when the Legislature approved the authorization in 2010, there were other institutions that had also requested building authorizations. Not only did statute state that SUU may not request state funds for O & M, but the same statute was written for other institutions' buildings as well.

Rep. Hughes asked if the Legislature chooses to accommodate SUU's request for O & M, what would preclude the other institutions from wanting the same opportunity? He asked why the Legislature should change statute if it was comfortable with the language at the time it was written?

Mr. Page stated that at the time the statutes were written, the state of the economy was not conducive to funding O & M. The institutions were expected to cover O & M on their own. The sentiment may have been as the economy improved, the institutions might be able to come back to the Legislature and ask for those funds.

Rep. Hughes stated that those are the rules that were set. He cautioned that if the Legislature wants to explore a policy change, there will be a line of institutions that will want the same opportunity.

Sen. Adams added that capital improvement funds have been used for remodels in previous years. For next year, the IGG Appropriations Subcommittee has restricted capital improvement funds to be used only on infrastructure. There are some institutions, however, that do not have infrastructure issues and have asked to use those funds elsewhere. Co-Chair Hillyard commented that Dixie State College had talked about using capital improvement funds for other projects rather than for infrastructure.

Co-Chair Hillyard asked about the \$2.5 million cap on capital improvement projects. Sen. Adams stated that infrastructure projects can be costly and may be prudent to raise the spending limit.

#### **4. H.B. 2 - New Fiscal Year Supplemental Appropriations Act**

Rep. Brown explained H.B. 2. The bill appropriates the following funding for FY 2013:

- General Fund - \$53,685,700
- General Fund One-time - \$57,452,900
- Education Fund - \$66,079,600
- Education Fund One-time - \$62,625,000
- Other Funds - \$674,922,800

Rep. Brown stated that the funding is in addition to amounts allocated in the base budget bills previously passed. H.B. 2 also includes fees and intent language adopted by subcommittees, statewide impacts for internal service fund rate adjustments, internal reallocations made by subcommittees, and adjustments to restricted accounts, federal funds, and other non-state funds.

Rep. Brown noted that a listing of funded items could be found on the "green sheets" from the March 2, 2012 meeting or in the index provided with the bills.

**MOTION:** Rep. Brown moved to adopt House Bill 2, New Fiscal Year Supplemental Appropriations Act, as an Executive Appropriations Committee bill. The motion passed unanimously with Speaker Lockhart absent for the vote.

## **5. S.B. 3 - Current Fiscal Year Supplemental Appropriations Act**

Mr. Ball explained S.B. 3. The bill includes additional funding items adopted in the March 2, 2012 meeting on the "green sheets." Mr. Ball stated that staff will provide committee members with an index that shows where the additional funding items are in the bill. In addition, staff will post the index on the Internet.

Mr. Ball stated that S.B. 3 also includes internal reallocations, restricted account appropriations, and intent language for the current year, most of which is nonlapsing authority.

**MOTION:** Rep. Brown moved to adopt Senate Bill 3, Current Fiscal Year Supplemental Appropriations Act, as an Executive Appropriations Committee bill. The motion passed unanimously with Speaker Lockhart absent for the vote.

## **6. H.B. 9 - State Agency and Higher Education Compensation Appropriations**

Rep. Brown explained H.B. 9. The bill funds compensation changes for state and higher education employees for FY 2013. Specifically, H.B. 9 provides funding equivalent to a 1 percent salary increase for higher education employees; funding equivalent to the projected retirement cost increase for certain state agency employees; and adjusts funding for other benefit cost changes for certain state agency employees including changes to Unemployment Insurance, Term Pool, and Other Post Employment Benefits.

President Waddoups urged the EAC to continue looking for ways to better compensate state employees who are as deserving as employees in public and higher education.

**MOTION:** Rep. Brown moved to adopt House Bill 9, State Agency and Higher Education Compensation Appropriations, as an Executive Appropriations Committee bill. The motion passed unanimously.

## **7. S.B. 2 - Public Education Budget Amendments**

Mr. Ball explained S.B. 2. The bill funds student enrollment growth - \$36.2 million, and a 1.15 percent increase in the value of the Weighted Pupil Unit (WPU). S.B. 2 also provides a one-time increase of \$7 million from the Education Fund to support the following: Teacher Supplies & Materials Reimbursement - \$5 million, and Beverly Taylor Sorenson Elementary Arts Learning Program - \$2 million.

Mr. Ball discussed increases to the two WPU Values - one for most programs and a lower value for the Special Education and Career & Technical Education Add-ons. S.B. 2 applies the WPU Value increase of 1.15 percent to both the broader WPU Value (increasing WPUs valued at \$2,816 to \$2,848 and WPUs for the Add-on programs valued at \$2,577 to \$2,607).

S.B. 2 sets the estimated Basic Tax Rate at 0.001665 to generate an estimated \$289,021,900 in local property tax revenue to support the Basic School Program. It also restructures the Utah State Office of Education's budget from four programs to 13, providing greater detail on the budget to the Legislature.

Mr. Ball indicated that Sen. Hillyard has a substitute bill that keeps the WPU Value for the Add-on programs at its current value (\$2,577) and moves the funding for its 1.15 percent increase into the broader WPU Value (from \$2,848 to \$2,852), making that increase 1.28 percent.

Co-Chair Hillyard explained that putting the greater amount in the broader WPU Value gives the school districts more flexibility.

**MOTION:** Rep. Brown moved to adopt Senate Bill 2 Public Education Budget Amendments, as an Executive Appropriations Committee bill. The motion passed unanimously with Rep. Dee absent for the vote.

President Waddoups inquired about the bill's language for Section 4, One-time appropriation for classroom supplies, on page 8, which sets forth how the State Board of Education is to distribute money for Teacher Supplies and Materials to classroom teachers.

Mr. Ben Leishman, Fiscal Analyst, LFA, stated that the language is the same language that was used last year in H.B. 2, Minimum School Program and Public Education Budget Amendments, to govern the distribution of funding to school districts and charter schools. Mr. Leishman stated that the bill's language guides school districts in providing more funding to teachers in lower grades with less experience.

President Waddoups asked Rep. Newbold if she had received any feed back from educators regarding the funding formula. Rep. Newbold stated that the only feedback she has received is from educators expressing their appreciation for the money. She has not heard any comments on specific amounts, only that educators wished that more money was available.

**MOTION:** Rep. Brown moved to adopt Senate Bill 2, Public Education Budget Amendments, as an Executive Appropriations Committee bill. The motion passed unanimously with Rep. Dee absent for the vote.

## **8. H.B. 7 - Current School Year Supplemental Public Education Budget Amendments**

Rep. Brown explained H.B. 7. The bill supplements appropriations made during the 2011 General Session for Public Education for FY 2012. The bill appropriates \$2,682,000 one-time from the Education Fund to support growth in new educators hired this school year and qualify for the Educator Salary Adjustments program. This is an estimated increase of 1,025 qualifying educators.

H.B. 7 authorizes school districts and charter schools to use \$21.4 million in FY 2011 unspent federal Education Jobs Fund allocations in FY 2012. It also reduces \$25 million in unencumbered nonlapsing balances in the Minimum School Program and transfers those funds to the Education Fund in H.B. 2, "New Fiscal Year Supplemental Appropriations Act."

Rep. Brown also indicated that the H.B. 7 transfers \$1,539,300 in nonlapsing balances from the Utah State Office of Education line item to the Utah State Office of Education - Indirect Cost Pool. This transfer balances the two line items due to changes in authorized expenditures from the federal government.

Finally, H.B. 7 authorizes additional federal and dedicated credits revenue to support Child Nutrition Programs (school lunch). The dedicated credits, approximately \$9.4 million, come from state taxes on liquor and wine.

President Waddoups expressed concern that programs receiving federal money may be ongoing and will require state money if federal funds are withdrawn.



Rep. Brown noted his concern and stated that adjustments may have to be made.

President Waddoups felt that the Utah State Office of Education needs to understand that the state is not going to be able to make up all of the monies in the areas from which the federal government withdraws its funding.

**MOTION:** Rep. Brown moved to adopt House Bill 7, Current School Year Supplemental Public Education Budget Amendments as an Executive Appropriations Committee bill. The motion passed unanimously.

Co-Chair Hillyard indicated that he had placed S.B. 3 and S.B. 2 at the top of the Second Reading Calendar with plans of moving those bills tomorrow morning. He encouraged committee members and the public to read the bills and make comments or suggestions.

Rep. Brown stated that the House will determine when the bills will be heard tomorrow and will announce this in advance so that everyone is aware of it.

## **9. Other Business**

**MOTION:** Rep. Brown moved to adjourn. The motion passed unanimously.

Co-Chair Hillyard adjourned the meeting at 7:38 p.m.